

Department of Finance

Analyst: Castro

Historical Summary

OPERATING BUDGET	FY 2005 Total App	FY 2005 Actual	FY 2006 Approp	FY 2007 Request	FY 2007 Gov Rec
BY FUND CATEGORY					
Dedicated	3,660,900	3,583,600	4,290,100	4,873,600	4,828,300
Percent Change:		(2.1%)	19.7%	13.6%	12.5%
BY OBJECT OF EXPENDITURE					
Personnel Costs	2,803,600	2,664,000	3,463,000	3,434,300	3,398,800
Operating Expenditures	748,300	777,600	745,600	1,297,500	1,297,500
Capital Outlay	109,000	142,000	81,500	141,800	132,000
Total:	3,660,900	3,583,600	4,290,100	4,873,600	4,828,300
Full-Time Positions (FTP)	44.00	44.00	51.00	51.00	51.00

Department Description

The Department of Finance regulates the enterprises in this state that provide financial services to Idaho consumers. It protects Idaho consumer buyers and borrowers against unfair lending and collection practices, and protects Idaho investors against deceptive and fraudulent investment practices.

The department is given broad discretionary authority to charter and regulate the activities of banks, bank holding companies, business and industrial development corporations, credit unions, trust companies, and savings banks. The department examines the books, records, and operations of these institutions' assets, operations, and management to determine what actions the state will take to assure the safety of funds of Idaho citizens.

The Department of Finance is the licensing authority for residential mortgage brokers and bankers, regulated lenders, collection agencies and retail sellers of goods and services extending credit to their customers, securities issuers, broker/dealers, salesmen, investment advisers, endowed care cemeteries and continuing care providers. Licensing and regulation of these activities includes the review of securities offerings to ensure full disclosure, and examination of the books, records and business practices for compliance with state and federal laws, rules and regulations. The commodity code gives the department enforcement authority to resolve mortgage related consumer complaints. The department issues rulings in connection with attempts by corporations to acquire control of publicly held Idaho corporations pursuant to purchases of a controlling number of equity securities.

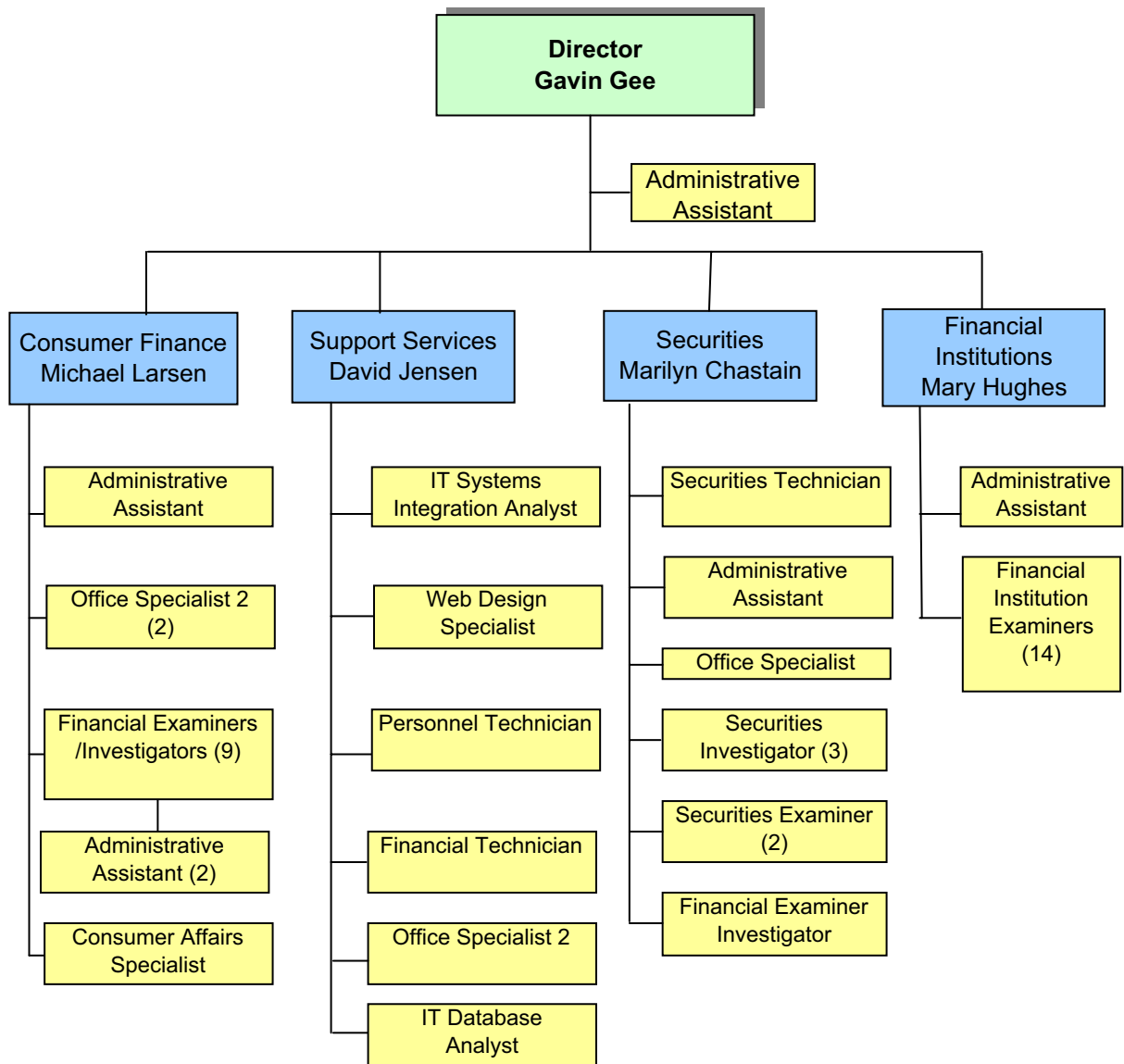
The department administers and enforces 22 regulatory statutes.

[Statutory Authority: Idaho Code §67-2701 et seq.]

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Agency Profile

Analyst: Castro



Sources of Funds

**FY 2006
Original***

State Regulatory (0229): Derived from examination or investigation fees, assessment fees, filing fees, license/permit/notification fees and forfeiture fees paid by regulated industries.

\$4,290,100

\$95,900 is included in the State Regulatory fund appropriation for the 27th payroll.

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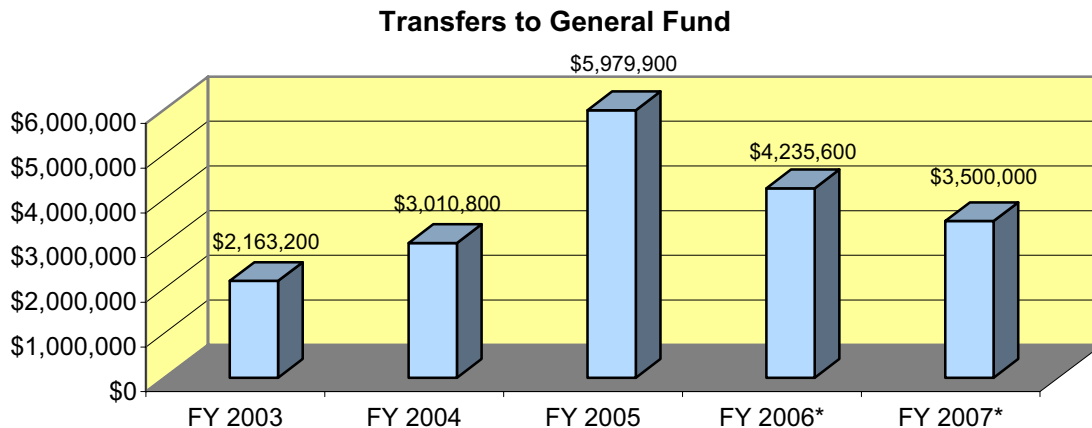
Agency Profile

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Selected Measures

Fiscal Year	FY 2002 Act	FY 2003 Act	FY 2004 Act	FY 2005 Act
1. State chartered/licensed financial institutions examined annually				
a. Banks	27	31	32	23
b. Savings banks	1	1	1	0
c. Credit unions	38	29	39	39
d. Collection agencies	31	43	41	30
2. Number of entities desiring to conduct business of a financial nature licensed annually				
a. Money transmitters.	40	42	42	44
b. Those extending consumer credit.	2,527	2,730	2,931	3,175
c. Collection agencies (permit renewals).	436	480	536	564
d. Solicitors/Collectors.	31,235	43,253	47,244	61,914
e. Securities broker/dealers.	1,555	1,480	1,520	1,522
f. Securities salesmen agents.	60,945	56,480	59,262	63,102
g. Securities investment advisors.	610	639	672	740
h. Securities investment advisor agents.	822	1,007	1,154	1,336
i. Residential mortgage broker/lenders.	1,150	1,372	1,541	1,586

At the beginning of each fiscal year, those moneys in the Financial Administration Account which exceed the current year's appropriation plus any residual encumbrances made against the prior year's appropriations by 25% or more shall be transferred to the general fund. Idaho Code §67-2702(2)(f)



** In FY 2005 significant fines were received as Idaho's share in the nationwide settlement of securities actions against nine large brokerage firms for conflicts of interest between the firms' research and investment banking activities.

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2006 Original Appropriation	51.00	0	4,290,100	51.00	0	4,290,100
HB 395 One-time 1% Salary Increase	0.00	0	24,700	0.00	0	24,700
Omnibus CEC Supplemental	0.00	0	0	0.00	0	34,500
FY 2006 Total Appropriation	51.00	0	4,314,800	51.00	0	4,349,300
Removal of One-Time Expenditures	0.00	0	(219,600)	0.00	0	(219,600)
FY 2007 Base	51.00	0	4,095,200	51.00	0	4,129,700
Benefit Costs	0.00	0	37,300	0.00	0	(58,000)
Inflationary Adjustments	0.00	0	8,100	0.00	0	8,100
Replacement Items	0.00	0	123,300	0.00	0	113,500
Statewide Cost Allocation	0.00	0	264,500	0.00	0	264,500
Change in Employee Compensation	0.00	0	29,900	0.00	0	55,200
Nondiscretionary Adjustments	0.00	0	48,500	0.00	0	48,500
FY 2007 Program Maintenance	51.00	0	4,606,800	51.00	0	4,561,500
1. Office Move	0.00	0	266,800	0.00	0	266,800
FY 2007 Total	51.00	0	4,873,600	51.00	0	4,828,300
Change from Original Appropriation	0.00	0	583,500	0.00	0	538,200
% Change from Original Appropriation			13.6%			12.5%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2006 Original Appropriation	51.00	0	4,290,100	0	4,290,100

HB 395 One-time 1% Salary Increase

Reflects a one-time 1% Change in Employee Compensation (CEC) increase.

Agency Request	0.00	0	24,700	0	24,700
Governor's Recommendation	0.00	0	24,700	0	24,700

Omnibus CEC Supplemental

Agency Request	0.00	0	0	0	0
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The Governor's FY 2007 recommendation is a 3% ongoing increase in employee compensation (CEC), based on merit, to commence in FY 2006 with the January 29 pay period. This will allow agencies to fund employee compensation increases for ten pay periods prior to the end of the current fiscal year. Funding for the remaining 16 pay periods is provided in the FY 2007 CEC.

Governor's Recommendation	0.00	0	34,500	0	34,500
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FY 2006 Total Appropriation					
Agency Request	51.00	0	4,314,800	0	4,314,800
Governor's Recommendation	51.00	0	4,349,300	0	4,349,300

Removal of One-Time Expenditures

Removes funding provided for HB395, the 27th pay period, and other one-time items.

Personnel (\$120,600); Operating (\$17,500); and Capital (\$81,500).

Agency Request	0.00	0	(219,600)	0	(219,600)
Governor's Recommendation	0.00	0	(219,600)	0	(219,600)

FY 2007 Base					
Agency Request	51.00	0	4,095,200	0	4,095,200
Governor's Recommendation	51.00	0	4,129,700	0	4,129,700

Benefit Costs

Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates and retirement rates. Health insurance is projected to increase by 6.1% or \$436 per position. Retirement rates are scheduled to increase by 5.9% from 10.39% to 11% of salary for regular employees and by 5.7% from 10.73% to 11.34% of salary for police and firefighters. Other benefit changes include minor adjustments in unemployment insurance rates and workers compensation rates.

Agency Request	0.00	0	37,300	0	37,300
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Removes the PERSI rate increase and changes benefit costs to reflect a 3.5% or \$250 per FTP increase in health insurance costs. However, the change in health insurance providers, from Blue Shield to Blue Cross, has created a one-time opportunity to use unexpended reserves from the previous contract. This decision unit provides for a health insurance premium reduction equal to two month's premiums for both the employer and employee. Finally, a life insurance holiday is included equal to seven month's premium for the employer's share only.

Governor's Recommendation	0.00	0	(58,000)	0	(58,000)
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Inflationary Adjustments

Includes a general inflationary increase of 1.9% in operating expenditures and trustee/benefit payments.

Agency Request	0.00	0	8,100	0	8,100
Governor's Recommendation	0.00	0	8,100	0	8,100

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Replacement Items					
Operating replacement request includes software and security upgrades (\$20,000).					
Capital replacement request includes: 14 PC's (\$30,800), 1 vehicle (\$22,000), 1 computer server (\$5,000), Web Based Document Management system (\$30,000), furniture (\$4,500), 5 PDA's (\$2,500), and miscellaneous computer equipment (\$8,500).					
Agency Request	0.00	0	123,300	0	123,300
<i>The Governor recommends \$1,500 replacement cost per desktop computer.</i>					
Governor's Recommendation	0.00	0	113,500	0	113,500
Statewide Cost Allocation					
The Statewide Cost Allocation Plan assesses state agencies for their actual use of Attorney General, State Controller and State Treasurer services and includes changes in property and casualty insurance premiums. This decision unit also includes changes in fees charged for legislative audits and changes in the cost of office space leased to state agencies by the Department of Administration.					
The Department of Finance is requesting an additional \$104,500 for a deputy attorney general assigned solely to the department; \$8,800 in on-going operating funding for training and legal costs; and \$5,500 in one-time capital funding for setting up a work station. This request is in addition to a \$143,800 attorney general fee adjustment set by the statewide cost recovery process.					
Agency Request	0.00	0	264,500	0	264,500
Governor's Recommendation	0.00	0	264,500	0	264,500
Change in Employee Compensation					
Calculated cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	0	29,900	0	29,900
<i>Provides funding for the remaining 16 pay periods to annualize the 3% ongoing change in employee compensation recommended in the omnibus CEC supplemental.</i>					
Governor's Recommendation	0.00	0	55,200	0	55,200
Nondiscretionary Adjustments					
This request covers two additional needs of the Department of Finance:					
The increased measures of the anti-terrorism laws, Bank Secrecy Act/Anti-Money Laundering requirements, and the increased size and information technology advancement of financial institutions have necessitated the need for an elevation in the frequency and depth of examinations. This request is to cover \$37,700 operating costs for the expanded examinations.					
The remaining \$10,800 in on-going operating funds will be used to help cover vendor support costs needed to assist with the increase in public records requests as well as departmental technology responsibilities.					
Agency Request	0.00	0	48,500	0	48,500
Governor's Recommendation	0.00	0	48,500	0	48,500
FY 2007 Program Maintenance					
Agency Request	51.00	0	4,606,800	0	4,606,800
Governor's Recommendation	51.00	0	4,561,500	0	4,561,500

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Budget by Decision Unit

	FTP	General	Dedicated	Federal	Total
1. Office Move					
Department of Finance					
The Department of Finance is requesting funding to increase office space which will require a move to a new location. Currently the Department of Finance is operating as one of the most densely housed state agencies at about 180 sq. ft. per employee. The Department of Administration suggests about 250 sq. ft. per employee. The agency currently does not have any room for increased storage or expansion. This request covers an increase in space from 9,700 sq. ft. to 16,000 sq. ft. as well as one-time moving costs.					
The request breakdown is on-going operating for rent (\$187,000); one-time operating for moving (\$46,800); and one-time capital outlay for phone switch hook ups (\$33,000).					
Agency Request	0.00	0	266,800	0	266,800
Governor's Recommendation	0.00	0	266,800	0	266,800
FY 2007 Total					
Agency Request	51.00	0	4,873,600	0	4,873,600
Governor's Recommendation	51.00	0	4,828,300	0	4,828,300
Agency Request					
Change from Original App	0.00	0	583,500	0	583,500
% Change from Original App	0.0%		13.6%		13.6%
Governor's Recommendation					
Change from Original App	0.00	0	538,200	0	538,200
% Change from Original App	0.0%		12.5%		12.5%